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RUEHAS/AMEMBASSY ALGIERS 0919
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UNCLAS SECTION 01 OF 05 TRIPOLI 000221

SIPDIS

STATE FOR NEA/MAG,
COMMERCE FOR NATE MASON,
ENERGY FOR GINA ERIKSON,
STATE PASS USTR (BURKHEAD), AND USAID (MCCLOUD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (REITZA), AND
CLDP (TEJTEL AND MCMANUS)
CASABLANCA FOR FCS (ORTIZ)
AMMAN FOR ESTH HUB (BHALLA)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: ECON EIND EINV EPET ENRG ETRD PGOV EFIN LY
SUBJECT: LIBYA COMMERCIAL ROUND-UP FOR FEBRUARY 2009

ENERGY

¶1. (U) NOC Calls on Engineering Firms to Establish Libyan Presence: The Libyan National Oil Corporation (NOC) invited foreign petroleum engineering companies to a meeting February 25 to discuss how they could establish a permanent local presence. [en.noc.com.ly, 2/8/2009]

¶2. (U) Total Accepts Lower Share of Libyan Oil Production: The Libyan National Oil Corporation (NOC) signed a Memorandum of Understanding (MoU) with the French oil company Total, continuing its policy of redefining old contracts under the new EPSA-IV framework. Total operates offshore the al-Jurf field and onshore the Mabruk field. Under the MoU, the NOC will get a higher share percentage of production and Total will pay a signature bonus of 500 million dollars to the NOC. Costs of exploration and development programs needed to increase production capacity will be shared equally by the NOC and Total. Total also committed to develop training programs for the local employees. Total's previous equity production in Libya averaged around 75,000 barrels of oil per day. The agreement was approved by the Supreme Oil and Gas Council on February 28 and still requires ratification by the General People's Congress (GPC). ENI, Petro-Canada, Repsol and Oxy signed MoUs under similar terms with the NOC in late 2007, and GPC ratification came in June-July 2008. [Bloomberg.com / Reuters, 2/11/2009]

¶3. (U) Libyan-European Consortium Akakus Opens Tender for Murzuq Gas-Oil Plant: Akakus Oil Operations called interested firms to the prequalification for an engineering, procurement and construction contract on a new gas-oil separation plant. The 100,000 barrel per day plant would be constructed at the consortium's IR field in the Libyan Murzuq basin, 700 kilometers from Tripoli. Akakus is owned by a consortium of Libya's NOC, Spain's Repsol, Austria's OMV, and France's Total. [MEED, 2/4/2009]

¶4. (U) Al-Jurf Oilfield Resumes Output after Accident: France's

Total announced that output has resumed at Libya's offshore al-Jurf oilfield, where 45,000 barrels a day of production were halted in April after a drilling accident. There will be a gradual resumption in production from the field. Al-Jurf is located 100 kilometers offshore western Libya at a depth of 90 meters. The Libyan National Oil Corporation has a 50 percent stake, Total holds 37.5 percent and Germany's Wintershall AG owns 12.5 percent. [Bloomberg.com, 2/6/2009]

¶5. (U) Norwegian firm Yara completes 50% Joint Venture with Libya: Norway's Yara International, the Libyan National Oil Corporation (NOC) and the Libyan Investment Authority (LIA) signed an agreement to create a new joint venture called "Libyan Norwegian Fertilizer Company" (Lifeco). Yara, NOC and LIA will have ownership shares in the new company of 50%, 25% and 25% respectively. NOC will transfer to Lifeco the existing Marsa El Brega fertilizer assets, valued at $225 million dollars, while Yara contributes to Lifeco the corresponding value in cash. NOC will supply natural gas to Lifeco under a long-term agreement. Yara will handle all urea and ammonia exports from Lifeco. Lifeco will embark on an optimization and upgrading program. The closing of the deal follows approval of the required licenses under the Libyan Investment Law. [tradingmarkets.com, 2/92009]

¶6. (U) Japex to Begin Operations at Libyan Offshore Concession: Japan Exploration Company (Japex) will start drilling its first offshore exploration well in Libya by the end of February. A consortium, formed by Japanese companies Japex, Nippon Oil Exploration and Mitsubishi Corporation, acquired the offshore concession in Libya in 2005. The consortium holds an 8 percent stake and it is operated by Japex; the Libyan National Oil Corporation (NOC) holds the remaining 92 percent stake. Seismic

2D and 3D surveys were conducted in 2007. [MEED, 2/12/2009]

¶7. (U) Woodside Hits Oil and Gas in Libya's Ghadames Basin: Australia's Woodside found oil and gas in the Ghadames Basin. This is the fourth successful exploratory well drilled by Woodside in the area, which was awarded in May 2003. [Petroleum Africa, 2/17/2009]

¶8. (U) New Discovery for Verenex: Canada's Verenex found oil and gas in the Ghadames basin. This is the tenth oil discovery made by Verenex in the Ghadames basin. [Petroleum Africa, 2/17/2009]

¶9. (U) Libya takes delivery of two oil tankers: Libya's state-owned General National Maritime Transport Company (GNMTC) has taken delivery of two oil tankers from Cido Shipping of Japan. Each of the tankers has a capacity of approximately 830,000 barrels of oil. The two deliveries are part of a six-ship deal - with a total transport capacity of around 5 million barrels - was signed by GNMTC last December to enable Libya to expand its oil shipping capacity to 11.8 million barrels. The recent purchases bring GNMTC's total fleet to 18 tankers; of these, 13 are crude carriers, three are oil products carriers, and two are LPG carriers. [Oil & Gas Journal, 2/16/2009]

¶10. (U) CNPC Launches Bid for Verenex: China National Petroleum Corporation (CNPC) offered to buy Canada's Verenex Energy for $400 million dollars. CNPC's offer is subject to certain conditions, including the approval of the Libyan National Oil Corporation (NOC). The NOC had earlier approved a list of companies qualified to view the confidential technical data on assets in the Area 47 in the Ghadames Basin, northwest Libya, where Verenex has its most valuable asset - a 6.85% production share. The buyout will not include Verenex's partner in the Libya exploration plan, Indonesia's Medco Energy. [Verenex.com, 2/27/2009]

INVESTMENT

¶11. (U) Libya's Interest in Buying ENI Shares: Italy's Foreign Minister Franco Frattini announced that the Libyan government's stake in oil and natural gas company ENI SpA has not yet

exceeded 2%, despite Libya's earlier announcement that it intended to acquire a 10% interest in the Italian company. Libyan Investment Authority chairman told press that the extent to which the fund may increase its stake in ENI will depend on prices and circumstances. ENI is Italy's biggest energy company by market value and has the largest operations of an international oil company in Libya. [PetroleumAfrica.com, 2/4/2009]

¶12. (U) Libya's Income From Sovereign Fund $2.3 Billion Dollars: According to a report submitted to Libya's Basic People Congresses, Libya's sovereign wealth fund investments abroad total $50.58 billion dollars and have returned profits of $2.37 billion dollars since the scheme started in 2006. $39.81 billion dollars were invested in short-term financial instruments abroad. The remaining 10.77 billion dollars were invested in long-term shares spread into stocks of 107 firms, 65 percent of which are located in North Africa, 20 percent in Asia, and 15 percent in companies in Europe and North and South America. [Reuters, 2/18/2009]

¶13. (U) More Foreign Companies in Libya: The number of foreign companies that opened branches and representative offices in Libya increased in 2009 to 817 and 80 respectively, according to the Ministry of Industry. The Ministry also announced the privatization of 36 public companies and liquidation of other 59 companies. [Libyaonline, 2/25/2009]

¶14. (U) Libya to Fill Half of Unicredit Bank Capital Gap: Libya's Central Bank, with a 4.6 percent holding, will fill half of a 500 million euros gap in UniCredit's 3 billion euros capital raising measures. Shareholders Fondazione Cassa di Risparmio di Torino (CRT) and Carimonte Holding will also take up about 230 million euros of the shortfall. The CariVerona foundation, the top shareholder in UniCredit with just over 6 percent, decided to abstain from the bank capital raising measure and left a 500 million euros shortfall in the capital raising measures. Overall, UniCredit is boosting its capital by 6.6 billion euros to improve its ability to manage risk. Other smaller foundations will take up the remaining 20 million euros. Libya's Central Bank would hold about 7 percent in UniCredit after the capital increase and become the biggest single shareholder. CRT and Carimonte together would have 9 percent voting rights. [Reuters, 2/9/2009]

REGIONAL ISSUES

¶15. (U) Libya Provides Help to Boost Agriculture in Northern Ghana: The Ministry of Food and Agriculture in collaboration with the Libyan Government is providing free tractor services to farmers in the Northern Region to help boost agricultural production. The Libyan government provided 10 tractors and will bear the cost of fuel and maintenance of the tractors and the Ghanaian government is responsible for the selection of beneficiaries. [Tripoli Post, 2/5/2009]

¶16. (U) Libyan Company to Invest $45 million dollars in Liberia: The Libyan Arab African Investment Trade Company (LAAICO) has finalized plans for a $45 million dollars investment in Liberia, of which $30 million dollars would go towards the reconstruction of the Ducor Palace Hotel, a five star hotel in Monrovia which was devastated during the civil conflict. The remaining $15 million dollars will be for the establishment of a rubber processing plant in central Bong County in northern Liberia. LAAICO is also finalizing plans to construct a training center for the handicapped in the western Monrovia suburb of Virginia. [isria.com, 2/8/2009]

¶17. (U) Libya Lends Tractors to Mozambique: Under the memorandum, ten tractors will be on loan for a renewable period of a year and will be used to implement the Mozambican's Food Production Action Plan for the period 2008/2011; the plan seeks to make Mozambique self-sufficient in rice production, to reduce significantly imports of wheat, and to increase surpluses of

maize. [www.allAfrica.com, 2/11/2009]

CONSTRUCTION

¶19. (U) Mitchell Architects Wins Contract in Misurata: Libyan dairy producer company, Al-Naseem, awarded English Company Mitchell Architects a $9 million dollar contract for the building of a 6,500 square meter facility in Misurata, a city located 210 km east of Tripoli on the Mediterranean coast. [Libyan Investment, 2/06/2009]

¶20. (U) Ace Hardware to Open in Libya: Oak Brook-based Ace Hardware Corporation announced that it has a deal to open six stores in Libya over the next decade. The retail cooperative has a license agreement with Technology Corner, a consortium of Libyan business people. The first two stores are scheduled to open this year in Tripoli. The stores would be the first free-standing hardware locations in Libya. Plans to open retail locations in Libya have been in the works since 2007. Ace Hardware has 4,600 stores throughout the U.S. and in 60 countries, including Kuwait, Saudi Arabia and United Arab Emirates. [chicagobusiness.com, 2/24/2009]

IT

¶21. (U) New WiMAX Service in Libya: Libya launched the country's first WiMAX data service. The new WiMAX network is meant to accommodate more than a quarter million users. It was built by three telecommunications equipment makers, France's Alcatel, China's ZTE and Huawei and the service will be managed by Libya Telecom and Technology Corporation (LTT), the country's primary Internet mobile services company. [North Africa Journal, 2/16/2009]

¶22. (U) Libya Invites Bids for Private Phone Licenses: Libya announced an international tender for the first private licenses for a combined fixed-line and mobile phone license. Interested parties are invited to make a bid before May 13, with the winner expected to be announced in June. The tender comes almost two years after Libya announced plans to privatize its mobile phone sector. Libya's General Post and Telecommunications Company is the monopoly supplier of fixed-line services while the mobile market is controlled by a duopoly of Libyana and al-Madar, both state-owned companies. Libya has 700,000 land lines for a population of more than six million people, and Libyana and al-Madar mobile operators have more than five million users. [AFP, 2/18/2009]

BANKING

¶23. (U) Arab Bank Wins Stake in Libya's Wahda Bank: Arab Bank has been selected as the strategic partner for the privatization of Wahda Bank, after financial offers were opened. Arab Bank submitted a price of $306 million dollars for a 19 per cent stake in the bank. The Arab Bank will now take management control of Wahda Bank and will be allowed to increase its stake to 51 percent in a three to five years period. Five banks were originally prequalified for the privatization, Intesa Sanpaolo, Arab Banking Corporation, Attijariwafa Bank, Societe Generale and Arab Bank. The privatization of Wahda Bank follows the sell-off of a 19 percent stake in Sahara Bank in September 2007. [MEED, 2/14/2009]

¶24. (U) First Moroccan Bank Opens Representative Office in Tripoli: Attijariwafa bank Group opened its representative office in Tripoli to offer a new platform of exchange for the business community of both countries as well as for all North African and Sub-Saharan businessmen. Attijariwafa bank Group has operational presence in 22 countries. [Tripoli Post, 2/21/2009]

PRESS

¶25. (U) Foreign Press to Return to Libyan News-Stands: Libyan al-Ghad company, a private media business set up by Seif

al-Islam, is going to distribute 90 Arab and international newspapers and magazines, including the main British, French and U.S. dailies. The Libyan government has long maintained a tight grip on both print and broadcast media. The state-controlled media carries no opinions inconsistent with official policy. For nine months between 2006 and 2007, Libyan authorities had allowed a small number of foreign titles to be sold. In 2007, al-Ghad launched two "independent" dailies and the country's first private television channel; the two newspapers have published criticism of senior officials. The authorities have since further loosened their control over the media, allowing AFP last November to open a bureau in Tripoli and have a permanent foreign correspondent accredited, the first for a global news agency. [AFP, 2/24/2009]

FAIRS

¶26. (U) Infrastructure Libya and Oil and Gas Libya Exhibition 2009: More than 150 international specialized companies participated in the fair, including American companies. [Tripoli

Post, 2/21/2009]
CRETZ